

County of Napa

Auditor-Controller

Internal Audit Report

Internal Control Review County-Wide Assigned Vehicles

For the Period: July 1, 2018 - June 30, 2020

Report Date: March 16, 2021



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

Table of Contents

	<u>Page</u>
Executive Summary	1
Background	2
Scope and Objective	3
Methodology	4
Results	5
Conclusion	7

Engagement Team

Paul Phangureh, CPA, CIA, CGAP	Internal Audit Manager
Marie Nicholas	Senior Auditor
Himmat Bains	Staff Auditor



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller
1195 Third Street · Room B10
Napa, CA 94559

Main: (707) 253-4551
Fax: (707) 226-9065
www.countyofnapa.org

Tracy A. Schulze
Auditor-Controller

March 16, 2021

Napa County Board of Supervisors
Napa, Ca

Executive Summary

The Internal Audit section of the Napa County Auditor-Controller's Office has completed an internal control review of vehicles assigned to departments (excluding Sheriff and Special Districts) for the period July 1, 2018 – June 30, 2020.

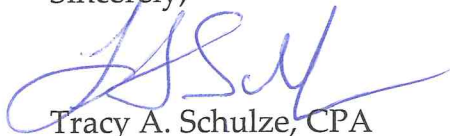
The objective of our engagement was to (1) determine the adequacy of internal controls over assigned vehicles and (2) evaluate the cost effectiveness of assigned vehicles versus a pooled or personal vehicle.

Based on our internal control review, we believe that internal controls over assigned vehicles can be significantly strengthened. Additionally, we were unable to determine the cost effectiveness of assigned vehicles versus a pooled or personal vehicle. We obtained vehicle utilization (i.e. miles driven), but were unable to obtain use-frequency for each vehicle (i.e. how often is each vehicle driven). This report contains five observations and includes recommendations and management responses for improving the internal controls of vehicles assigned to departments.

This report is a matter of public record and is intended solely for the information and use of the Napa County's Board of Supervisors, County Executive Officer, and Public Works' Director.

I want to thank the Internal Audit team, Public Works, and departments' staff for their expertise and professionalism in conducting this engagement.

Sincerely,


Tracy A. Schulze, CPA
Auditor-Controller

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Background

Napa County's Public Works Department Fleet Division manages the County's vehicle and transportation needs on behalf of all County departments. Departments that need immediate access to a vehicle (i.e. 24 hours a day, 7 days a week) have assigned vehicles, to ensure timely access to County transportation. Assigned Vehicles are categorized as either General or Special Purpose. General Purpose Assigned Vehicles are vehicles used for normal transportation whereas Special Purpose Assigned Vehicles are vehicles used to meet specific job or location needs which can include, but not limited to, load capacity, geography, and/or weather conditions. At June 30, 2020, there were 170 vehicles assigned to County departments (excluding Sheriff and Special Districts) compared to 167 as of June 30, 2019.

Departments may request assistance from Public Works' Fleet Manager and County Executive Officer's Analysts in evaluating department's vehicle needs. All assigned vehicles must be recommended by the Director of Public Works and County Executive Officer and authorized by the Board of Supervisors. Justification for assigned vehicles varies and are approved for operation-specific uses. However, departments are responsible for monitoring and tracking vehicle usage and justifying vehicle needs.

Departments with assigned vehicles report their monthly mileage to Public Works. This information is then entered in Cascade Software Systems, Inc., which is a cost accounting management software (CAMS) that helps track vehicle mileage and maintenance timelines. Public Works' Fleet Division primarily utilizes year of vehicle and mileage as primary criteria for replacement. Generally, the target is to replace vehicles at 12 years or when they have 80,000 to 100,000 miles. Throughout the fiscal year, disposal of vehicles is reviewed by the County Executive Officer and approved by the Board of Supervisors.

Departments with assigned vehicles are charged both quarterly and monthly. Quarterly charges are part of the annual fleet budget, which is approved by the County Executive Officer and Board of Supervisors. These charges are based on the number of vehicles a department has, the costs of maintaining assigned vehicles, and the costs based on miles per vehicle category. A few examples of vehicle category include sedans (i.e. mid-size, full size, and hybrids), utility vehicles, vans, pickups, etc. These charges also include replacement charges for when the vehicles are at end of life and need replacement. Replacement of vehicles is calculated on the estimated current vehicle values plus a 10%

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Background (Continued)

markup for future replacement purchases. Monthly charges include fuel charges, which are based on actuals and are billed back to departments.

Departments who do not utilize an assigned vehicle on a full-time basis or need additional resources may request pooled vehicles from Public Works. As of June 30, 2020, Public Works provides a pool of six vehicles for short-term use by all departments. Public Works charges departments a daily rate of \$19 to (1) recover maintenance and fuel cost incurred in the ongoing use of each vehicle and (2) fund vehicle replacement.

Scope and Objective

The Internal Audit section of the Napa County Auditor-Controller's Office has completed an internal control review of vehicles assigned to departments (excluding Sheriff and Special Districts) for the period July 1, 2018 – June 30, 2020. This engagement was conducted in conformance with the *International Standards for the Professional Practice Internal Auditing (Standards)* established by the Institute of Internal Auditors.

The primary objectives of this engagement are as follows:

- (1) Determine the adequacy of internal controls over assigned vehicles, and
- (2) Evaluate the cost effectiveness of an assigned vehicle versus a pooled or personal vehicle

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Methodology

In achieving the engagement objectives we performed procedures, including but not limited to, the following:

➤ **Narratives**

- Documented an understanding of the roles and responsibilities of various County departments over the evaluation, monitoring, tracking, and safeguarding of County Vehicles

➤ **County-Wide Policy**

- Reviewed the County-Wide policy over vehicles (i.e. Part 1, Section 21A – Equipment Pool)

➤ **Departments' Policies and Procedures**

- Reviewed departments' policies and procedures over use of vehicles, including internal controls

➤ **Monitoring and Tracking of Assigned Vehicles**

- Obtained monthly mileage records for all vehicles
- Obtained general ledger records for all expenses pertaining to vehicle maintenance
- Reviewed vehicle logs from all departments to determine use frequency

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Results

We obtained mileage reported from departments to Public Works from July 1, 2018 to June 30, 2019 for all assigned vehicles (excluding Sheriff and Special Districts).

Fiscal Year 2018-2019	General Purpose Assigned Vehicles			Special Purpose Assigned Vehicles		
Department	Miles Driven	Number of Vehicles	Average Miles Driven Per Vehicle	Miles Driven	Number of Vehicles	Average Miles Driven Per Vehicle
Ag Commissioner-Sealer	109,003	17	6,412	-	-	-
Assessor-Recorder-County Clerk	8,672	3	2,891	-	-	-
Corrections	-	-	-	302	2	151
County Executive Officer	-	-	-	34,472	8	4,309
District Attorney	119,599	15	7,973	-	-	-
Health and Human Services	204,386	25	8,175	-	-	-
Non-Departmental	-	-	-	1,303	1	1,303
Planning, Building, and Environmental Services	149,313	25	5,973	9,836	1	9,836
Probation	-	-	-	68,934	10	6,893
Public Defender	18,306	3	6,102	-	-	-
Public Works	48,877	10	4,888	331,258	44	7,529
UC Cooperative Extension	13,752	3	4,584	-	-	-
Total	671,908	101		446,105	66	
Average			6,653			6,759

General Purpose Assigned Vehicles

For fiscal year 2018-2019, our analysis showed that each general purpose assigned vehicle drove, on average, 6,653 miles. The data showed that the median mileage driven was 5,762 and the range was between 547 to 18,710. There were 60 out of 101 (59.4%) general purpose assigned vehicles that drove below the County's average. Each department had at least two general purpose assigned vehicle that drove below the County's average. Overall, 6 out of 8 (75%) departments drove below the County's average.

Special Purpose Assigned Vehicles

For fiscal year 2018-2019, our analysis showed that each special purpose assigned vehicle drove, on average, 6,759 miles. The data showed that the median mileage driven was 4,555 and the range was between 108 to 21,956. There were 42 out of 66 (63.6%) special purpose assigned vehicles that drove below the County's average. Overall, 3 out of 6 (50%) departments drove below the County's average.

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Results (Continued)

We obtained mileage reported from departments to Public Works from July 1, 2019 to June 30, 2020 for all assigned vehicles (excluding Sheriff and Special Districts).

Fiscal Year 2019-2020	General Purpose Assigned Vehicles			Special Purpose Assigned Vehicles		
Department	Miles Driven	Number of Vehicles	Average Miles Driven Per Vehicle	Miles Driven	Number of Vehicles	Average Miles Driven Per Vehicle
Ag Commissioner-Sealer	98,405	17	5,789	-	-	-
Assessor-Recorder-County Clerk	5,325	3	1,775	-	-	-
Corrections	-	-	-	1,119	2	560
County Executive Officer	3,298	1	3,298	34,421	7	4,917
District Attorney	123,450	15	8,230	-	-	-
Health and Human Services	188,116	25	7,525	-	-	-
Non-Departmental	4,013	1	4,013	-	-	-
Planning, Building, and Environmental Services	132,342	26	5,090	-	-	-
Probation	-	-	-	38,020	10	3,802
Public Defender	16,355	3	5,452	-	-	-
Public Works	49,465	10	4,947	319,776	47	6,804
UC Cooperative Extension	17,747	3	5,916	-	-	-
Total	638,516	104		393,336	66	
Average			6,140			5,960

General Purpose Assigned Vehicles

For fiscal year 2019-2020, our analysis showed that each general purpose assigned vehicle drove, on average, 6,140 miles. The data showed that the median mileage driven was 5,081 and the range was between 606 to 22,583. There were 59 out of 104 (56.7%) general purpose assigned vehicles that drove below the County's average. Each department had at least one general purpose assigned vehicle that drove below the County's average. Overall, 8 out of 10 (80%) departments drove below the County's average.

Special Purpose Assigned Vehicles

For fiscal year 2019-2020, our analysis showed that each special purpose assigned vehicle drove, on average, 5,960 miles. The data showed that the median mileage driven was 5,423 and the range was between zero to 20,634. There were 41 out of 66 (62.1%) special purpose assigned vehicles that drove below the County's average. Each department had at least two special purpose assigned vehicle that drove below the County's average. Overall, 3 out of 4 (75%) departments drove below the County's average.

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Conclusion

Based on our internal control review, we believe that internal controls over assigned vehicles can be significantly strengthened. Additionally, we were unable to determine the cost effectiveness of assigned vehicles versus a pooled or personal vehicle. We obtained vehicle utilization (i.e. miles driven), but were unable to obtain use-frequency for each vehicle (i.e. how often is each vehicle driven). This report contains five observations and includes recommendations and management responses for improving the internal controls of vehicles assigned to departments.

1. County-Wide Policy – Update

Observation

The vehicle policy for Napa County (i.e. Part 1, Section 21A – Equipment Pool) was last updated in 2002. The policy is outdated. For example, the first page of the policy contains a vehicle inventory list by department, which has not been updated since 2002. Additionally, the vehicle policy does not formally distinguish between general purpose and special purpose vehicles.

Recommendations

We recommend the County Executive Office and Public Works department work together to update the County-Wide vehicle policy:

- The vehicle policy should not contain information that is susceptible to change such as the vehicle inventory listing.
- A formal definition to distinguish between general purpose and special purpose vehicles should be included in the policy.
- Vehicles categorized as general purpose or special purpose should be reviewed for proper classification.

We also recommend the vehicle policy be reviewed by Department Heads and approved by Board of Supervisors at a minimum of once every five years.

County of Napa

County-Wide Assigned Vehicles

Internal Controls Review

Conclusion (Continued)

1. County-Wide Policy – Update (Continued)

Public Works’ Department Response

The Department of Public Works agrees in part with the observation and recommendation. We agree that the vehicle policy is outdated. The Department of Public Works does not manage the timing of policy updates but will assist the County Executive Office with an update when requested. The Department of Public works also agrees that Department Heads should review the policy as it is updated and periodically to ensure that Department procedures meet the intent of the policy. The Department of Public Works has no opinion regarding whether the vehicle policy should be reviewed and updated by the Board of Supervisors at a minimum of once every five years.

County Executive Office’s Response

The CEO agrees that the vehicle policy should be revised to be more general in nature and to include improvements in policy elements implemented by the Fleet Manager since the last policy update in 2002. Individual departments will be required to draft procedures unique to their department on appropriate use and safekeeping of fleet vehicles. Work on the policy update and department specific procedures will commence as time allows given high priority work associated with the current public health emergency and response to the LNU and Glass fires with a target to complete in 2021. Staff will work to update the policy by the end of the current fiscal year. While the policy and department specific procedures are being revised/drafted, the CEO has directed issuance of a reminder to department heads of the importance of complying with the existing policy regarding the use and operation of county vehicles and emphasizing the importance of completing usage logs.

2. Departments’ Policies and Procedures

Observation

There were written internal department policy and procedures for three of the twelve departments with assigned vehicles.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

2. Departments' Policies and Procedures (Continued)

Recommendation

We recommend the County Executive Office and Public Works department work together with departments in developing consistent internal policies and procedures to evaluate, monitor, track, and safeguard County vehicles.

Public Works' Department Response

The Department of Public Works is available to work with the County Executive Office and Departments to develop procedures to monitor, track, and safeguard County vehicles. The Department of Public works is also available to assist Departments in evaluating their need for vehicles and to provide options to meet those needs.

County Executive Office's Response

The CEO agrees with the Public Works response. Information Technology Services has been tasked to assess the feasibility of acquiring or developing a standardized electronic log to facilitate documentation and improve data collection and review. Staff will work to complete the feasibility analysis by the end of the current fiscal year.

3. Assigned Vehicles – Not Evaluated for Utilization

Observation

The County's vehicle policy does not contain established utilization standards, such as vehicle breakeven point (i.e. based on cost and miles driven). Without utilization standards, potential cost savings in using pooled or personal vehicles in place of department assigned vehicles may not be realized. In addition, the County Executive Office and Public Works do not regularly evaluate the utilization of department assigned vehicles.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

3. Assigned Vehicles – Not Evaluated for Utilization (Continued)

Recommendations

We recommend the County Executive Office and Public Works department work together to establish utilization standards to effectively and efficiently maximize vehicle usage.

We also recommend the County Executive Office and Public Works department work together to establish an annual review process, especially for those departments, who maintain assigned vehicles with low utilization.

Public Works' Department Response

The Department of Public Works agrees in part with the observation and recommendation. The County's vehicle policy does not contain utilization standards (defined as miles driven in the Auditor's Internal Control Review Report). Departments are not typically assigned vehicles because of the mileage that is driven. Rather, they are assigned vehicles to meet specific business needs. For example, the Corrections Department is assigned vans not because of the mileage that they drive but because of their business need to transport persons in custody. The Property Management division is not assigned vehicles because of their need to travel long distances, but because of their business need to transport tools, supplies, and equipment. The Environmental Health division of Planning, Building and Environmental Services is assigned vehicles to conduct regulatory inspections, not because of mileage but because of their need to have vehicles readily available to perform their function. The Department of Public Works disagrees that a uniform utilization (i.e. mileage) standard should be utilized to determine whether a department should be assigned a vehicle or alternatively be required to use a pooled or personal vehicle. In addition, the Department of Public Works believes that the risk associated with use of personal vehicles for routine business functions should be considered. The Department of Public Works is available to work with the County Executive Office and Departments should a periodic review process be established to evaluate the need of assigned vehicles.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

3. Assigned Vehicles – Not Evaluated for Utilization (Continued)

County Executive Office's Response

The CEO agrees with the Public Works response. Public Works is developing a 'Vehicle Request Form' to document rationale for consideration when requesting an additional vehicle. It will be disseminated to departments for use beginning FY 2021-22.

4. Assigned Vehicle – Monitoring and Tracking

Observation

Although we obtained the total miles driven for each vehicle, we were we were unable to obtain the use frequency for each vehicle. Therefore, it was not possible to evaluate the cost effectiveness of an assigned vehicle versus a pooled or personal vehicle. For instance, a vehicle may have low mileage but is used frequently for short trips.

Departments are not required to monitor and track the use of assigned vehicle via log (i.e. driver's name, date vehicle checked out/in, etc.). While some departments have tracking logs in place, other departments do not. In addition, the tracking logs used by some departments are not standardized, not always completed for each trip, do not adequately detail vehicle use, and are not adequately secured nor reviewed for completeness. Other departments use a physical calendar to document the reservation and use of its vehicles, which are not adequately detailed.

Departments with assigned vehicles must accurately track and evaluate usage in order to make informed decisions about vehicle necessity and effectiveness. Strong internal controls require standard documentation on vehicle usage. Without proper monitoring and tracking of vehicle usage, the County may not be maximizing vehicle usage, which can lead to waste and abuse of vehicle resources.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

4. Assigned Vehicle – Monitoring and Tracking (Continued)

Recommendations

We recommend the County Executive Office and Public Works department work together to assist departments in developing internal vehicle policy and procedures for monitoring and tracking assigned vehicles. These policies and procedures should include:

- Standards logs for departments to record and detail usage (i.e. driver's name, date vehicle checked out/in, beginning and ending mileage, nature and purpose of trip, start and end destination address, and time and duration of vehicle use).
- A requirement for departments to assign the responsibility for monitoring and tracking vehicles to designated staff, who can ensure logs are completed and returned promptly.
- Annual monitoring of vehicle usage.

Given the size of the county fleet, we also recommend the County Executive Office and Public Works department explore solutions to improve tracking and monitoring of County vehicles, which may include Global Positioning System (GPS) devices, a fleet management system, and other potential options. In addition, a fleet management system could alleviate department concerns regarding the time and effort needed to record details for vehicle usage.

Public Works' Department Response

The Department of Public Works is available to work with the County Executive Office and Departments in developing departmental procedures and exploring other solutions to improve the monitoring and tracking of assigned vehicles, including usage.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

4. Assigned Vehicle – Monitoring and Tracking (Continued)

County Executive Office's Response

The CEO agrees with the Public Works response.

5. Assigned Vehicles – Safeguard

Observation

For some departments, the internal controls over the safeguard of County's vehicles can be significantly improved. Most departments have check in and out procedures, such as using a white board or lock box. However, they are inadequate in providing any meaningful information and do not adequately safeguard the county's vehicles. As a result, vehicles may be unaccounted, missing, or used by unauthorized individuals. We observed vehicle keys not being adequately secured and easily accessible by unauthorized staff. For example, one department maintains vehicle keys on an unattended key board with unrestricted access to all staff while another department store vehicle keys in various unsecured and unmonitored areas (i.e. unlocked desk drawers). Without strong controls for the safeguard of County's vehicles, unauthorized access and improper use of vehicle may occur.

Recommendation

We recommend the County Executive Office and Public Works department require departments to assign the responsibility for safeguarding County's vehicles to designated staff, who can dispense keys to authorized employees, secure and maintain keys when vehicles are not in use, and ensure vehicles are not used by unauthorized staff.

Public Works' Department Response

The Department of Public Works has no authority over the procedures or internal policies of individual Departments, however, agrees that vehicles should be appropriately safeguarded while meeting the business needs of the Department.

County of Napa
County-Wide Assigned Vehicles
Internal Controls Review

Conclusion (Continued)

5. Assigned Vehicles – Safeguard (Continued)

County Executive Office's Response

The CEO strongly supports the appropriate use and safeguarding of all county assets.

The CEO urges the Auditor-Controller staff to consider in their follow-up audit that usage of the fleet since March 2020 has been affected by the COVID-19 pandemic and that circumstance should be factored into any future recommendations.